Stop & Shop Annual Report 1967

Stop & Shop Inc.

Annual Report For The Fiscal Year Ended January 27, 1968

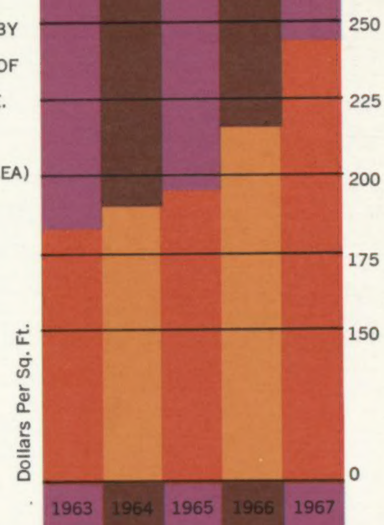
Contents

Stop & Shop Inc. stockholders' meeting will be held on Monday, May 27, 1968, at 1:30 p.m., at the corporate offices, 393 D Street, Boston, Massachusetts.

Comparative Highlights

52 Weeks Ended	January 27, 1968	January 28, 1967
SALES	$566,361,363	$507,506,165
EARNINGS:		
Pretax operating earnings	9,644,775	8,243,452
Net operating earnings	6,112,722	5,456,229
Extraordinary item, net	1,773,243	—
Total net earnings	7,885,965	5,456,229
Reinvested in the business	5,390,852	3,036,738
% of operating earnings to sales	1.08%	1.08%
Per share of stock now outstanding, less shares now held in Treasury:		
Earnings from operations	2.02	1.80
Extraordinary item	.59	—
Total net earnings	2.61	1.80
CASH DIVIDENDS PAID:	2,495,113	2,419,491
Per share	0.82½	0.80
CURRENT ASSETS	52,830,423	50,777,515
CURRENT LIABILITIES	28,114,268	28,732,857
WORKING CAPITAL	24,716,155	22,044,658
CURRENT RATIO	1.88	1.77
SHAREHOLDERS' EQUITY	48,658,948	43,254,148
FOOD STORES OPENED	8	5
FOOD STORES CLOSED	9	10
FOOD STORES IN OPERATION AT YEAR END	134	135
SELF-SERVICE DEPARTMENT STORES OPENED	7	5
SELF-SERVICE DEPARTMENT STORES CLOSED	—	2
SELF-SERVICE DEPARTMENT STORES IN OPERATION AT YEAR END	46	39
EMPLOYEES	13,229	12,538

To Our Shareholders



VALUE ADDED, FOOD, BY INCREASING OUTPUT OF FLOOR SELLING SPACE. (ANNUAL SALES/SQ. FT. OF FOOD SALES AREA)

Sales and Earnings for the 52 weeks ended January 27, 1968 were the highest in the company's history, reflecting record high levels in both our food and our mercantile divisions.

Net sales for the year totaled $566,361,363, an increase of 11.60 per cent over sales of $507,506,165 in the 52 weeks ended January 28, 1967. Earnings before extraordinary item rose 12.03 per cent to $6,112,722, or $2.02 a share, compared with $5,456,229, or $1.80 a share, for the corresponding period a year ago.

Earnings before taxes also set a new record for Stop & Shop Inc., climbing to $9,644,775, a 17 per cent increase over last year's $8,243,452. Not included in earnings is a non-recurring profit of $1,773,243, or 59 cents a share, from the sale of the company's interest in Top Value Enterprises, Inc.

The following table shows a breakdown of food division and mercantile division sales for 1967 and 1966.

	1967	1966
Net sales, Stop & Shop food division	$459,726,580	$428,939,089
Net sales, Bradlees mercantile division, exclusive of licensees' sales	106,634,783	78,567,076
	$566,361,363	$507,506,165

Our continued growth in sales and earnings is the result of several elements in our current expansion program, which began to yield significant benefits in 1967. These factors, which should add substantially to our future growth, include:

Increased Volume in our existing stores, coupled with a major expansion program, featuring development of the "Supermarket of Tomorrow."

Horizontal Expansion and diversification in the areas of mass merchandising.

Vertical Growth in our food and mercantile profit centers.

Geographic Expansion into new market areas.

One of the keys in the past year to the increased volume in our existing food stores and the success of our new food units has been our mini-pricing® program, supported again in 1967 by aggressive advertising and sales promotion. Now well into its third year, mini-pricing has proved again for us the validity of the most basic merchandising principle: to provide quality goods and services to people at lowest possible prices.

Mini-pricing is now a way of life for us and is basic to today's merchandising as well as tomorrow's environment. We expect that it will continue to contribute to our growth in the future.

In the past year, sales of Stop & Shop food stores averaged more than $3.3 million per store, more than twice the U.S. average in 1967.

One indication of the success of our food marketing program in the past year was the award of *Good Housekeeping* magazine's citation to Stop & Shop. The award is made for outstanding customer service, promotion of national brands and other merchandising activities.

In 1967, our company-wide expansion program centered around the addition of 15 new stores, including eight new "Supermarkets of Tomorrow" and seven new Bradlees department stores. These stores, some of them combination supermarket-department stores, are all large units in high traffic shopping areas. They bring our operations to a total of 134 supermarkets and 46 self-service department stores. We also expanded and modernized 17 food stores and one Bradlees department store.

In the coming year we plan to add 10 new food stores and four or five more department stores, and remodel about 15 food and mercantile units. Our expenditures for this program will be approximately $13 million, bringing our investment for capital improvements and additions to a total of $26 million during 1967 and 1968.

Our food stores opened in the last year averaged 18,400 square feet of selling space, compared to the industry average of 12,000 to 13,000 square feet. Stores planned for 1968 will be slightly larger, averaging 19,400 square feet of selling space.

Supermarket of Tomorrow In building our "Supermarket of Tomorrow", we are creating an interesting and visually-appealing modern atmosphere. Our objective is to support our merchandising efforts with the ultimate in design, layout and customer service.

These expansion stores feature distinctive and specialized departmental shops within the overall food store.

For example:

Deli-Huts, in-store delicatessens with a wide variety of domestic and international products, full-time counter service and special decor.

Florist Shops, in stores in selected neighborhoods, offering a full range of flowers, plants and accessories.

Snack Shacks, providing several categories of party and snack foods to stimulate the appetite.

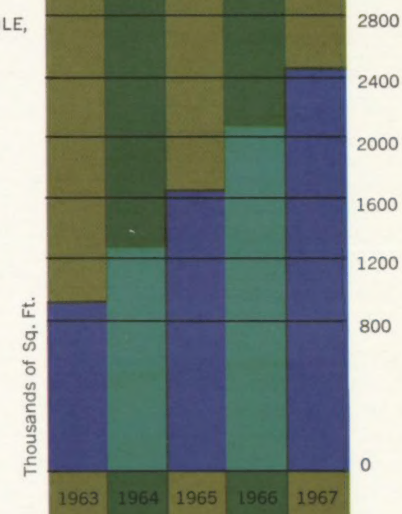
The Mini-Mart, an experimental store within a store, selling fast-moving convenience items and using its own express check-outs.

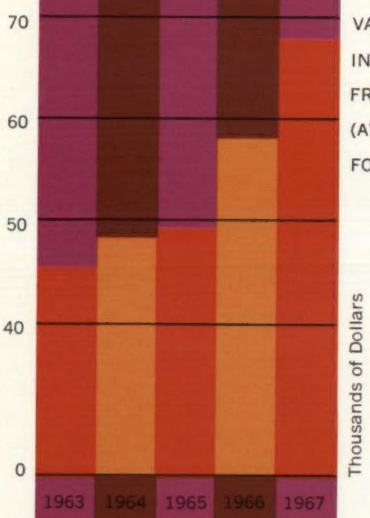
Customer telephones throughout stores to obtain information on the location of merchandise and service.

Banana Huts, Nut Huts, Farmer's Markets, large bakery departments, and other individualized sections with unique decors and in-depth selection of merchandise.

We offer our own line of prepared foods sold under the Caterer's Kitchen label and provide the customer exclusive convenience products, including roast chickens, meat pies, meat loaf, salads, pizzas, custards and many other foods.

VALUE ADDED, MERCANTILE, BY A RAPIDLY GROWING SALES AREA. (TOTAL BRADLEES SALES AREA)





VALUE ADDED, FOOD, BY INCREASING SALES FROM EACH STORE. (AVERAGE WEEKLY SALES, FOOD STORES)

In all cases we develop these new stores in anticipation of the further growth of affluence, education, sophistication and desire for individuality among our customers.

Within our food chain, 78 per cent of our stores have been built, enlarged or renovated within the past 10 years. In 1968 this percentage will increase further.

In the past 16 months we have closed 16 food stores which do not fit our present standards of high volume. Because we have now closed almost all the stores not meeting these standards, store closings will drop to only four or five in 1968. Despite closings, our rate of sales gain has been 50 per cent greater than the rate for all food chain sales in the past year, according to retail trade reports.

Bradlees Department Stores The growth of the Bradlees division has been rapid and we plan to continue it at a high rate. In 1962, our first full year in the self-service department store field, we operated seven stores and had a sales volume of $5 million, while licensees' sales from these stores were more than $15 million.

In the year ended January 27, 1968, we opened our 46th department store and sales of the mercantile division totaled $106,634,783, exclusive of licensees' sales. This represented approximately 75 per cent of the total sales in Bradlees stores.

Future growth of the Bradlees division will come from four sources:

First, new and larger stores. For the next two years we presently plan to open about four to seven stores a year. These stores will average 80,000 square feet or more, compared with existing Bradlees stores which range from about 60,000 to 66,500 square feet.

In addition we will extensively remodel and expand a number of existing stores, adding 15,000 to 30,000 square feet to these units.

Second, Bradlees will continue to increase the ratio of owned-department sales to total sales. As leases have permitted, we have taken over operation of women's wear, automotive, sporting goods, phonograph records and jewelry departments. In new stores where we are not restricted by licensee contracts, we are operating almost 90 per cent of sales under our control. As contracts with licensees expire, we will raise existing stores to this level as well.

An important step in this internal expansion program took place in 1967 with our purchase for cash of the assets of the Harold Hahn Company, a toy wholesaler and formerly a Bradlees licensee. This acquisition, which became effective January 29, 1968, will add some $10 million or more to our volume in the coming fiscal year.

Third, Bradlees will continue to expand the number of departments in its stores. New department additions, either begun in 1967 or planned for the future, include portable television sets and high fidelity radio-phonograph equipment, and photographic departments including cameras and other equipment. The latter have existed previously in only a few stores, and there as leased departments.

In some stores, we are also adding a complete line of tires under our own private label, supported by tire installation centers.

Fourth, we are also expanding lines within departments, with heavy emphasis on broadening and deepening present merchandise


Deli Hut
NOW SERVING
SLICED MEATS
TAKACHECK
MARINATED MUSHROOMS
saltines
Stop Shop


What aisle is it in?
press

lines. In fact, as we build larger stores, most of the additional space is being devoted to existing departments with greater depth of merchandise rather than to new departments.

Our approach to marketing in the mercantile field is consistent with our food merchandising policy. As part of the low markup, self-service department store industry, we base our operations on the customer's desire for good quality merchandise at the lowest possible price.

At the same time, we expect that the public will increasingly demand higher quality merchandise. In soft goods we anticipate the demands of a style-conscious public for fashionable merchandise, coupled with good value.

Therefore, we aim at the higher end rather than the lower end of the industry's merchandise line. The lines we carried in 1967 and will carry in 1968 extend into the higher quality ranges.

This means we adjust the merchandise lines we carry to fit the area a store serves. We also recently added credit service for Bradlees customers.

Diversification Program Although the main areas of the company's operations to date are in the food and department store industries, our success in these areas has encouraged us to investigate prospective growth through further diversification.

The record indicates we have the management skills to engage profitably in other types of mass merchandising. It is management's concept that we can ultimately develop the company into a much broader retailing and distribution organization.

From a recent examination of the growth and profitability for retail drug stores, we have concluded their profit potential meets Stop & Shop standards. During the past few months, we made the decision to enter this field and announced plans to open our first drug store early this summer.

We plan to open additional stores later in the year. The exact number is still to be determined, but it should be in the range of another five stores. In 1969, our plans are to add stores at the same or a slightly greater rate.

We expect to build large modern units comparable to the best now being operated in the drug field. Like our new "Supermarkets of Tomorrow", they will be tastefully planned, attractive and designed to make shopping a pleasant experience.

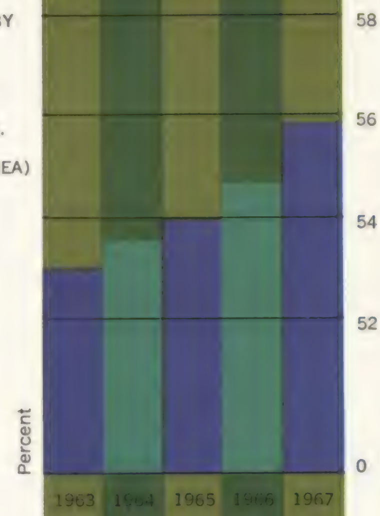
In each store we plan to dispense ethical and proprietary drugs, and offer a complete line of cosmetics and toiletries, as well as a variety of general merchandise.

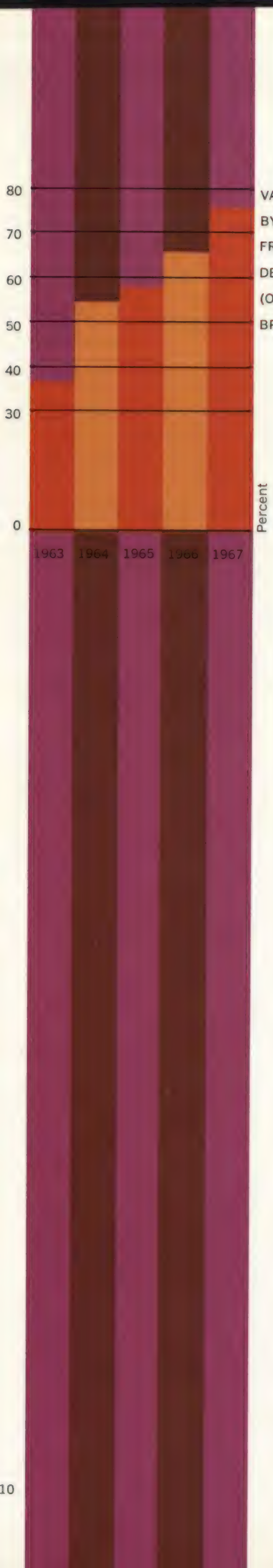
Wherever possible, the drug stores we plan will be built in combination with both Stop & Shop supermarkets and Bradlees department stores. However, in planning locations, we expect to be flexible so that we can place them where the greatest market potential exists, with or without our food and mercantile units. Our first store, to be located in Wethersfield, Connecticut, will be part of a food-mercantile-drug complex.

Our drug enterprise will be operated as a separate division.

To supervise this venture, we have brought to the company a number of personnel with long experience in managing large-scale retail drug operations. When our first store opens we will be fully staffed at all levels of the business.

VALUE ADDED, FOOD, BY A STEADY RISE IN PRODUCTIVE SELLING AREA. (SALES AREA VS. TOTAL FOOD STORE AREA)





VALUE ADDED, MERCANTILE, BY INCREASED SALES FROM COMPANY-OWNED DEPARTMENTS. (OWNED-SALES VS. TOTAL BRADLEES SALES)

If we continue to develop this business as we presently plan, drug volume and profits should represent a significant part of our business within the next few years.

Vertical Expansion Both the food and mercantile divisions grew through vertical integration or expansion in 1967. Bradlees expanded its owned-department operations and its private label volume, while the food division capitalized on similar opportunities in its area.

Retail volume of our private label food items now approaches 25 per cent of our sales. At present we sell more than 600 items under our label, having added an average of nearly 80 items annually each of the past three years.

As this volume grows, it will become economically advantageous for us to manufacture more of the food division items we now have packed for us under private label. Our manufactured-product sales are slightly more than 8 per cent of total sales, approximately the same level as the average for the 40 largest chains, as reported by the National Commission on Food Marketing.

To aid in this program of vertical integration in the food division, we expanded and further modernized our bakery and commissary in the Boston area in 1967. We feel certain that the customer loyalty already shown for our existing private label goods should support additional expansion of our brands, further contributing to improved profits.

Geographic Expansion In the past year, Stop & Shop continued its transition from a dominant New England food chain to a diversified retail operation covering a total of seven Eastern states. Major emphasis in our expansion was given the New Jersey and Metropolitan New York area.

This area has the characteristics management seeks in locating stores: a growing population with good income.

Though small in geographic area, New Jersey itself has the heaviest population density of any of the 50 United States. In addition, U. S. Department of Commerce figures show that Connecticut, New York and New Jersey, the focal points of our expansion, rank first, fourth and sixth, respectively, in per capita income by state.

In 1940, Stop & Shop opened its first supermarket in Connecticut. Today we operate 35 supermarkets with better than 10 per cent of the food sales in that state; we do the largest volume of retail business of any enterprise in Connecticut.

We entered New Jersey in 1965 with the purchase initially of three Family Circle department stores, adding a fourth later. Their identity was changed to Bradlees Family Centers this past year. In May, 1967, we opened our first combination food-and-mercantile operations in New Jersey, two stores with a total of 106,850 square feet in a South Plainfield shopping center.

We followed this with a second, slightly larger combination unit in Wayne later in the fiscal year.

The South Plainfield and the Wayne stores have exceeded our volume estimates. As a result, we plan to add several more stores in the New Jersey area in each of the next two years.

At the same time, we will continue our expansion in adjoining states, expanding either north or south from our base in New Jersey.


Bradlees
Stop & Shop

Whichever we do, under our present expansion concept, we plan to obtain as much as 25 per cent of our volume outside of New England by 1972. With our diversification in the mercantile field, and now in drugs, we have the potential to become a growing broad-based retail complex.

Financial In September, 1967, we arranged to increase our long-term loan from $20 million at 5.3 per cent interest to $27.5 million at 5.6 per cent interest. These notes will come due $1.4 million annually from 1969 to 1982 and the balance in 1983. The additional $7.5 million was received on April 1, 1968 and will be used together with internally generated moneys to finance our capital improvements in the near future.

On November 8, 1967, the Board of Directors approved an increase in the quarterly dividend rate from 20 cents to 22½ cents, the third cash increase since 1965.

In the area of labor relations, we are not scheduled to negotiate any new contracts during fiscal 1968.

Management Development To prepare your company for the growth we anticipate in the future, we took several steps during the past year to broaden the scope of our management organization.

From outside the company, we added to our ranks of experienced specialists, additional people in the fields of corporate planning and organization, operations research, communications and public relations, and other areas.

Our internal management development program is also yielding benefits. For example, better than 60 per cent of our present store managers have successfully completed our store manager training program.

Within the past year we also instituted a unique accelerated training program for reserve store managers, to provide for expansion. Sixty-seven trainees are enrolled in this program and will graduate by year-end. The program has already provided us with 17 new reserve managers and six new store managers in the short time it has existed.

In our non-foods business, we are also currently conducting programs to train mercantile department managers and a variety of administrative supervisory personnel.

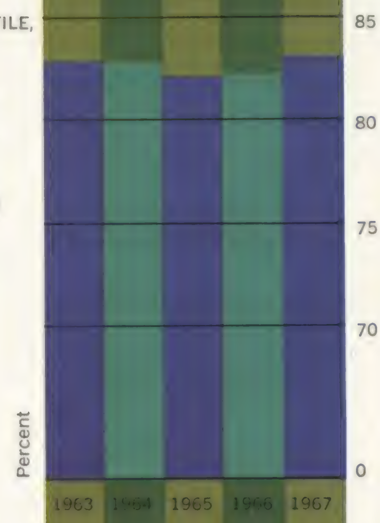
In the Bradlees division, we recently realigned and expanded the management group to meet the challenges of expansion. The division's 46 stores have been divided into two supervisory regions, a move that will foster a more effective operation and development of the mercantile organization.

The significance of all these moves is only partly in the skills and talent they bring us. The real significance is that today the top management of Stop & Shop is measuring its performance and people not against our industry alone, but against the most successful industries in the nation. We are prepared to take full advantage of the growth and profit opportunities that lie before us.

Sidney R. Rabb Sidney R. Rabb, Chairman

Donald A. Gannon Donald A. Gannon, President

VALUE ADDED, MERCANTILE, BY KEEPING A HIGH RATIO OF ACTIVE SELLING AREA. (SALES AREA VS. TOTAL BRADLEES STORE AREA)



Stop & Shop Inc. and Subsidiaries

Assets	January 27, 1968	January 28, 1967
CURRENT ASSETS:		
Cash	$ 6,394,789	$ 4,291,657
Accounts receivable	2,822,013	1,925,224
Inventories, at the lower of cost or market	42,583,060	43,144,642
Prepaid expenses	1,030,561	1,415,992
Total current assets	52,830,423	50,777,515
FIXED ASSETS, AT COST:		
Land, buildings and improvements	61,814,763	58,565,868
Buildings and improvements on leased land	4,957,844	4,794,877
Fixtures, machinery and equipment	41,780,012	35,106,280
	108,552,619	98,467,025
Less accumulated depreciation and amortization	36,070,855	30,742,407
	72,481,764	67,724,618
Leasehold improvements, at cost less accumulated amortization	6,073,192	4,650,659
Net fixed assets	78,554,956	72,375,277
OTHER ASSETS:		
Notes receivable, investments, etc. at cost	874,833	1,085,128
Deferred charges	767,993	753,897
Total other assets	1,642,826	1,839,025
	$133,028,205	$124,991,817

See accompanying notes to financial statements.

Consolidated Balance Sheet January 27, 1968

(With Comparative Figures as of January 28, 1967)

Liabilities and Stockholders' Equity	January 27, 1968	January 28, 1967
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 2,742,112	$ 2,699,503
Accounts payable	20,567,574	20,819,222
Accrued expenses	4,560,230	3,716,351
Federal income taxes, less U.S. Treasury Bills $1,000,000 (1968)	244,352	1,497,781
Total current liabilities	28,114,268	28,732,857
DEFERRED FEDERAL INCOME TAXES	3,609,009	3,332,008
LONG-TERM DEBT (NOTE 3):		
Mortgage notes payable	32,645,980	33,172,804
Other notes payable	20,000,000	16,500,000
Total long-term debt	52,645,980	49,672,804
STOCKHOLDERS' EQUITY:		
Capital stock of $1 par value per share. Authorized 7,500,000 shares. Issued 3,102,528 shares (1967, 3,101,663 shares) (Note 4)	3,102,528	3,101,663
Capital in excess of par value of capital stock (Note 6)	14,345,851	14,332,768
Retained earnings, exclusive of amounts capitalized through stock dividends (Note 3)	32,823,553	27,432,701
	50,271,932	44,867,132
Less cost of 77,299 shares in Treasury	1,612,984	1,612,984
Total stockholders' equity	48,658,948	43,254,148
	$133,028,205	$124,991,817

Consolidated Statements of Earnings and Retained Earnings

	52 Weeks Ended January 27, 1968	January 28, 1967
RETAIL SALES	$566,361,363	$507,506,165
COST AND EXPENSES:		
Cost of goods sold, buying and warehousing cost	453,161,433	409,757,921
Selling, store operating and administrative expenses	93,763,259	80,452,373
Depreciation and amortization	6,838,649	6,227,912
Interest on mortgages	1,867,868	1,984,207
Other interest	1,085,379	840,300
	556,716,588	499,262,713
EARNINGS BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEM	9,644,775	8,243,452
FEDERAL INCOME TAXES (NOTE 2)	3,532,053	2,787,223
EARNINGS BEFORE EXTRAORDINARY ITEM	6,112,722	5,456,229
EXTRAORDINARY ITEM, GAIN ON SALE OF INVESTMENT, NET OF APPLICABLE INCOME TAXES OF $639,357	1,773,243	—
NET EARNINGS	7,885,965	5,456,229
RETAINED EARNINGS AT BEGINNING OF YEAR	27,432,701	24,395,963
	35,318,666	29,852,192
LESS CASH DIVIDENDS PAID	2,495,113	2,419,491
RETAINED EARNINGS AT END OF YEAR	$ 32,823,553	$ 27,432,701

Summary Of Source And Use Of Funds

Funds Provided:	**52 Weeks Ended January 27, 1968**
Net earnings after extraordinary income	$ 7,885,965
Less cash dividends paid	2,495,113
	5,390,852
Increase in deferred Federal income taxes	277,001
Increase in long-term debt	2,973,176
Sale of capital stock	13,948
Other, net	196,199
	$ 8,851,176
Used As Follows:	
Excess of expenditures for fixed assets over depreciation and amortization	
Expenditures for fixed assets, net	$13,018,328
Depreciation and amortization	6,838,649
	6,179,679
Addition to working capital	2,671,497
	$ 8,851,176

See accompanying notes to financial statements.

Stop & Shop Inc. and Subsidiaries

Notes to Financial Statements

1. Principles of Consolidation
The consolidated financial statements include the accounts of the parent company and all subsidiaries.

2. Details of The Provision For Federal Income Taxes:

	Year Ended January 27, 1968	January 28, 1967
Current	$3,804,481	$2,677,473
Investment Credit	(554,105)	(347,852)
Deferred	281,677	457,602
	$3,532,053	$2,787,223

3. Long-Term Debt

Mortgage notes, 3¾% to 6¾%, maturing over a maximum period of twenty years. Although not signed by the company or its subsidiaries, these notes are secured by land, buildings and improvements costing approximately $58,200,000 and by assignments of inter-company lease agreements	$32,645,980
Promissory note, 5.6%	20,000,000
	$52,645,980

After February 1, 1969 the mortgage notes mature at an average annual rate of approximately $2,500,000 through 1980 and thereafter at smaller varying amounts through 1987.

The company has a commitment to sell an additional $7,500,000 of the 5.6% promissory note on April 1, 1968. The $27,500,000 of such notes which will then be outstanding, will become due $1,400,000 annually from 1969 to 1982 and the balance in 1983. During this period working capital must be maintained at $14,000,000. Other restrictions with respect to payment of cash dividends or purchase or retirement of capital stock will become effective December 31, 1968.

4. Stock Options
Under its Stock Option Plans, the company has granted options to 102 officers and key employees entitling them to purchase shares of common stock within 5 years from the grant date (7 years, old Restricted Plan) at option prices of 100% (new Qualified Plan) or 95% to 110% (old Restricted Plan) of market price on the grant date. Generally, options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At January 27, 1968 options to purchase 109,442 shares were outstanding (23,897 presently exercisable) at prices ranging from $15.88 to $24.72 per share.

Changes during the current year:	Number of Shares	
	Issuable under options granted	Available for option
Balance at beginning of year	76,768	9,200
Additional authorized	—	75,000
Exercised at $16.13 per share—total $13,948 (Total market value on dates exercised—$19,813)	(865)	—
Options granted	54,500	(54,500)
Cancellations and expiration	(20,961)	2,375
Balance at end of year	109,442	32,075

The number of shares under option at January 27, 1968 and related prices per share have been adjusted for stock dividends and stock splits.

5. Rental Commitments
At January 27, 1968 the total minimum annual rentals payable under leases amount to approximately $7,700,000 exclusive of real estate taxes, other expenses and additional rents based on percentage of sales. Of the minimum annual rental commitment, approximately 49% related to leases expiring within fifteen years and approximately 95% to leases expiring within twenty years.

6. Capital In Excess Of Par Value Of Capital Stock
The increase in this account during the year, $13,083, resulted from the sale of common stock through the exercise of stock options.

7. Retirement Plan
The company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements, other than certain union employees covered by union-sponsored plans. The company's policy is to fund retirement costs accrued, which in the current year amounted to approximately $700,000. As of January 27, 1968 total plan assets were more than sufficient to cover all vested accrued benefit liabilities.

8. Wholly-Owned Realty Subsidiaries—Combined Balance Sheets

	January 27, 1968	January 28, 1967
Assets:		
Cash and receivables	$ 72,815	$ 36,895
Due from Stop & Shop Inc.	5,574,332	4,369,052
Fixed assets, at cost:		
Land, buildings and improvements	57,467,700	56,580,773
Less accumulated depreciation and amortization	15,442,025	13,877,332
	42,025,675	42,703,441
Other assets	426,473	447,411
	$48,099,295	$47,556,799
Liabilities:		
Current installments of long-term debt	$ 2,742,112	$ 2,699,502
Accounts payable and accrued expenses	1,004,296	825,482
Deferred Federal income taxes	1,687,858	1,576,399
Long-term debt, less current installments above (note 3)	32,120,980	33,172,804
Stop & Shop Inc.'s equity:		
Capital stock	64,820	65,820
Retained earnings	10,479,229	9,216,792
	$48,099,295	$47,556,799

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
2000 TOWER BUILDING
PRUDENTIAL CENTER
BOSTON, MASSACHUSETTS 02199

The Board of Directors and Stockholders, Stop & Shop Inc.

We have examined the consolidated balance sheet of Stop & Shop Inc. and subsidiaries as of January 27, 1968 and the related statement of earnings and retained earnings and summary of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of Stop & Shop Inc. and subsidiaries at January 27, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying summary of source and use of funds for the year ended January 27, 1968 presents fairly the information shown therein.

Peat, Marwick, Mitchell & Co.

March 15, 1968

Fiscal Year Ended
SALES
EARNINGS:
Pretax operating earnings
Net operating earnings
Extraordinary item, net
Total net earnings
Reinvested In The Business
% of operating earnings to sales
Per Share Of Stock Now Outstanding, Less Shares Now Held In Treasury:
Net operating earnings
Total net earnings
Cash Dividends Paid
Per Share
Stock Distributions
Current Assets
Current Liabilities
Working Capital
Current Ratio
Total Assets
Retained Earnings
Shareholders' Equity
Numbers Of Shares Outstanding Less Shares Held In Treasury At End Of Each Fiscal Year
Food Stores:
Opened And Acquired
Closed
In Operation At Year End
Self-Service Department Stores:
Opened And Acquired
Closed
In Operation At Year End
Employees

Consolidated Ten-Year Financial Summary

1/27/68	1/28/67*	7/2/66	7/3/65†	6/27/64	6/29/63	6/30/62	7/1/61	7/2/60†	6/27/59
$566,361,363	507,506,165	469,850,327	423,172,518	391,417,860	337,684,888	306,305,759	295,373,211	239,078,801	194,003,143
$ 9,644,775	8,243,452	5,788,519	8,867,361	8,177,453	6,772,327	6,791,391	8,293,951	7,685,811	5,859,498
$ 6,112,722	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088	4,136,043	3,247,819
$ 1,773,243	—	—	—	—	—	—	—	—	—
$ 7,885,965	5,456,229	3,463,367	5,254,054	4,907,277	4,034,883	3,887,383	4,645,088	4,136,043	3,247,819
$ 5,390,852	3,036,738	1,180,404	3,579,384	3,733,802	2,895,527	2,785,433	3,667,091	3,371,496	2,655,801
1.08%	1.08%	.74%	1.24%	1.25%	1.19%	1.27%	1.57%	1.73%	1.67%
$ 2.02	1.80	1.14	1.74	1.62	1.33	1.28	1.54	1.37	1.07
$ 2.61	1.80	1.14	1.74	1.62	1.33	1.28	1.54	1.37	1.07
$ 2,495,113	2,419,491	2,282,963	1,674,670	1,173,475	1,139,356	1,101,950	977,997	764,547	592,018
$ .82½	.80	.75	.55	.40	.40	.40	.40	.40	.40
—	—	—	3%	3%	3%	3%	25%	25%	25%
$ 52,830,423	50,777,515	46,299,775	41,296,545	34,976,085	31,745,162	31,196,878	27,271,444	19,561,031	18,578,858
$ 28,114,268	28,732,857	24,900,306	23,487,623	19,383,393	17,864,400	16,239,347	14,331,605	10,401,617	10,188,934
$ 24,716,115	22,044,658	21,399,469	17,808,922	15,592,692	13,880,762	14,957,531	12,939,839	9,159,414	8,389,924
1.88	1.77	1.86	1.76	1.80	1.78	1.92	1.90	1.88	1.82
$133,028,205	124,991,817	120,745,085	112,824,425	105,395,004	101,944,837	97,260,036	84,042,308	66,313,515	58,269,054
$ 32,823,553	27,432,701	24,973,070	23,792,666	21,830,996	19,791,075	18,739,405	19,413,216	14,518,087	11,461,591
$ 48,658,948	43,254,148	40,794,517	40,452,686	36,801,498	33,106,337	30,180,731	27,265,458	21,860,866	18,589,149
3,025,229	3,024,364	3,024,364	3,069,564	2,955,336	2,870,502	2,783,367	2,691,293	2,018,953	1,602,262
8	5	4	2	4	14	18	21	14	21
9	10	6	4	4	9	11	7	4	5
134	135	139	141	143	143	138	131	117	107
7	5	7	7	6	7	4	6	—	—
—	2	1	—	—	—	—	—	—	—
46	39	36	30	23	17	10	6	—	—
13,229	12,538	12,548	11,742	11,204	11,346	10,186	9,735	8,041	6,576

*In July 1966, the fiscal year of the Company was changed to the Saturday nearest January 31 from the Saturday nearest June 30.

†53 weeks.

In Memoriam

Jacob Rabinovitz 1885—1967

Mr. Jacob Rabinovitz, Vice President and Assistant Treasurer from 1926 to the time of his death, passed away June 4, 1967. The founder of the Economy Grocery Company in 1913, he joined in the operations of the company in 1926. He was a pioneer and leader in many religious, cultural and philanthropic activities and the recipient of the Weizmann Medallion in 1966.

Joseph Rabinovitz 1878—1967

Mr. Joseph Rabinovitz, Honorary President, died December 23, 1967, at age 89, after a food industry career of over 76 years. In 1919, he joined the Economy Grocery Company, the predecessor corporation to Stop & Shop. He became President in 1920 and Honorary President in 1964. He was known as The Dean of Food Retailing in New England. He will always be remembered for his jovial and warm personality and his active and continuous activities in community responsibilities.

Directors

William Applebaum
Norman L. Cahners
Donald A. Gannon
Avram J. Goldberg
Donald J. Hurley
Irving W. Rabb
Norman S. Rabb
Sidney R. Rabb
*Jacob Rabinovitz
*Joseph Rabinovitz, *Honorary Director*
Sidney L. Solomon
Lloyd D. Tarlin
William W. Wolbach

Officers

Sidney R. Rabb, *Chairman of the Board and Chief Executive Officer*
*Joseph Rabinovitz, *Honorary President*
Irving W. Rabb, *Vice Chairman of the Board and Chairman, Executive Committee*
Donald A. Gannon, *President*
Lloyd D. Tarlin, *Senior Vice President*
Charles R. Carroll Jr., *Vice President*
Harold E. Fine, *Vice President*
Avram J. Goldberg, *Vice President*
Robert H. Kroeger, *Vice President*
Arthur Norris, *Vice President*
Michael F. O'Connell, *Vice President*
*Jacob Rabinovitz, *Vice President*
Jack Solomon, *Vice President*
Richard F. Spears, *Vice President*
Albert S. Frager, *Treasurer and Assistant Clerk*
Donald J. Hurley, *Clerk*
George P. Kane, *Assistant Treasurer*
Arthur S. Robbins, *Assistant Treasurer*

J. David Fine, *Divisional Vice President*
Spyros Gavris, *Divisional Vice President*
Carol R. Goldberg, *Divisional Vice President*
Bernard Solomon, *Divisional Vice President*
Donald Stowbridge, *Divisional Vice President*

*Deceased

Bradlees Division

Jack Solomon, *President*
Arnold Siegel, *Executive Vice President*
Anast W. Giokas, *Divisional Vice President*
Richard I. Shuman, *Divisional Vice President*
Robert Kimball, *Divisional Vice President*
Robert Harrow, *Divisional Vice President*

Transfer Agents

The First National Bank of Boston
Bankers Trust Company of New York

Registrars

The National Shawmut Bank of Boston
Morgan Guaranty Trust Company of New York

Auditors

Peat, Marwick, Mitchell & Co.

General Offices

393 D Street, Boston, Massachusetts 02210

Shares Traded On

Boston Stock Exchange and
American Stock Exchange

Stop & Shop Inc.